



Opportunities for Food Retailing in Low-Income Communities

This fact sheet brings together the work of community leaders, advocates, researchers, policymakers, and food industry representatives to describe the current grocery shopping environment in low-income communities. It highlights the lack of supermarkets in low-income areas and the consequences of over-reliance on neighborhood stores that do not offer a full complement of healthy food options.

Of particular interest to those in the food industry are the discussions that explore opportunities for retail success and community partnerships that lead to increased sales of fruits and vegetables in low-income communities.

an average of 18,649 people. In low-income communities, the average was only one supermarket per 27,986 people.¹

- As documented in a study for the Los Angeles REACH 2010 project, low-income African American consumers tended to find poorer service, lower quality, and less selection in grocery stores in their communities than markets in a predominately white, middle-class comparison area.²
- Results of a study examining the demographic characteristics of neighborhoods in four states found that predominantly white neighborhoods had access to four times as many supermarkets as predominantly African American neighborhoods.³

While these statistics are startling, they paint a painful truth about retailing in low-income communities. Findings suggest that the higher the concentration of poverty within a community, the fewer the supermarkets. As a result, access to a wide variety of food can be a real challenge for low-income consumers in California.¹

Low-Income and Largely Ignored

There is a disparity in low-income communities, which presents an opportunity for retailers.

- Nationally, in ZIP codes where less than 10 percent of the households live below the federal poverty level, there are more than twice as many supermarkets per household as those in ZIP codes where the number of households living below the federal poverty level exceeds 40 percent.¹
- In 2002, Los Angeles County supermarkets served

Characteristics of a Food Desert

The statistics described in the previous section reveal a condition in urban areas known as a “food desert” or “grocery gap,” where healthy foods found in larger supermarkets and grocery stores are absent from a given community. Due to lack of access to private transportation, income, and time limitations associated with poverty, residents of low-income communities are forced to rely on neighborhood stores that offer fewer healthy choices at higher prices. This situation

has a negative effect on the choices residents make about their food purchases, which in turn increases the likelihood of poor eating habits. As a result, food deserts may play a role in the disproportionately high rates of nutrition-related chronic diseases, such as type 2 diabetes, cancer, and hypertension, in low-income communities.⁴

Changing the face of food retailing in low-income communities by developing new supermarkets and improving the selection of healthy foods at existing retailers can make a significant improvement to the health of the community.

In addition, retailers need not make this financial commitment to low-income communities for purely altruistic reasons. Contrary to widely held perceptions of urban areas, these communities have a bounty of opportunities for retail success.

Collective Buying Power

What many people fail to realize is that inner city communities have substantial buying power. In 1999, the U.S. Department of Housing and Urban Development (HUD) estimated the retail buying power of America's inner city communities at \$33 billion.⁵ Total retail demand in inner city Oakland, California was estimated at \$1.13 billion annually.⁶ In urban Los Angeles, the retail purchasing power is \$5.7 billion.⁵

Inner city communities are not poverty monoliths. While average income is indeed lower than suburban communities, 1995 data show that 3 in 10 inner city households had incomes greater than \$50,000,

with 2 percent of the total having household incomes above \$75,000.⁷

In 1999, HUD also estimated that the gap between buying power and retail sales in 48 inner city areas was \$8.7 billion.⁵ Another study estimated that more

than 25 percent of retail demand in many inner city areas is unmet.⁶

Retail Opportunities Abound

Underdeveloped urban areas and low-income communities, long neglected by mass retail, present tremendous opportunities. Many inner city communities have

the potential to generate more than sufficient revenue to support retail establishments.

A significant source of retail grocery income comes from food stamp dollars. In 2004, food stamp dollars contributed approximately \$2 billion to California's retail food sales.⁸ In California, it is estimated that only 45 percent of eligible people participate in the Food Stamp Program.⁹ If California were to match the food stamp participation rate of 2003's best performing state, Oregon at 83 percent, this would bring approximately *\$1.5 billion additional federal dollars* into the state annually based on the average monthly benefit of \$89 per person.¹⁰ USDA estimates that each food stamp dollar stimulates \$1.84 in new local economic activity.¹¹ As a result, \$1.5 billion in additional federal food stamp dollars would create approximately \$2.76 billion in local economic activity.





The effort to increase food stamp redemption and incremental food purchases, especially purchases of healthy foods, can be seen across the state. *The California Nutrition Network for Healthy, Active Families* works with the California Association of Food Banks to intensify food stamp outreach in 20 priority counties including Los Angeles, Orange, Alameda, Fresno, Tulare, and Merced. The addition of more food stamp households, however, does not automatically translate into increased sales of healthy foods, like fruits and vegetables, in low-income areas. What is essential, however, is ready access to quality food shopping venues, which depends to a large extent, on entrepreneurial efforts, business development, and advocacy for healthy food outlets.

Whether one supports food stamp redemption efforts or develops new stores to meet the demand for healthy foods, there is ample opportunity for retail success in the urban areas and low-income communities. Retailers who compete effectively in these areas will be in a position to profit from this market; those who ignore the marketplace or make only token efforts—will not. Retailers and developers have found success in the following ways:

- Participating in government nutrition programs by accepting

food stamps and Women, Infants, and Children (WIC) checks, which increase inner city spending power.¹

- Utilizing local subsidies, such as tax credits, tax abatements, utility rate incentives, public finance grants, regulatory flexibility, subsidized training, and designated zones that offer multiple financial incentives, which offset operating costs.
- Participating in federal programs, such as Empowerment Zones/Enterprise Communities, HUD Community Empowerment Fund, HUD Zones, and Historic Rehabilitation tax credits.
- Creating a Business Investment District – a public/private partnership to finance physical neighborhood improvements – which can stimulate investment and make neighborhoods more attractive for business activity.¹³

Retailers already located in low-income communities who chose to improve their selection of healthy foods have also found success using the following strategies:

- Offsetting costs through partnerships with other small retailers to improve buying power for quality fruits and vegetables.¹²
- Purchasing quality produce directly from local farmers or farmers that participate in farmers' markets.¹²
- Utilizing small business development resources for financial and technical assistance in converting liquor or convenience stores into green grocers.¹²
- Partnering with community stakeholders (e.g., health advocates, churches, schools, community centers) to promote retail improvements through store tours and food demonstrations.¹²



Selling Solutions: Retailers Fill the Gap

Supermarkets contribute to the economic health of low-income communities. As such, they address an important underlying determinant of community



health that extends beyond increased access to healthy foods such as fruits and vegetables. While a single supermarket is not likely to reverse the economic fortunes of a depressed community, it can have a major impact by providing jobs to local residents and tailoring merchandise to the preferences of residents. For example, Food Source, the first full service supermarket built in Sacramento's Oak Park neighborhood in more than two decades, was placed on a site that previously was used for drug trafficking and public intoxication. Not only did the retailer thrive in a community with a median household income of \$28,000¹⁵ and bring 69 new jobs to the area,¹⁴ but once Food Source established itself in the community,

Walgreen's and Hollywood Video joined the complex. The Sacramento Housing and Redevelopment Agency referred to Food Source as the "jewel in the crown" in its implementation plan.

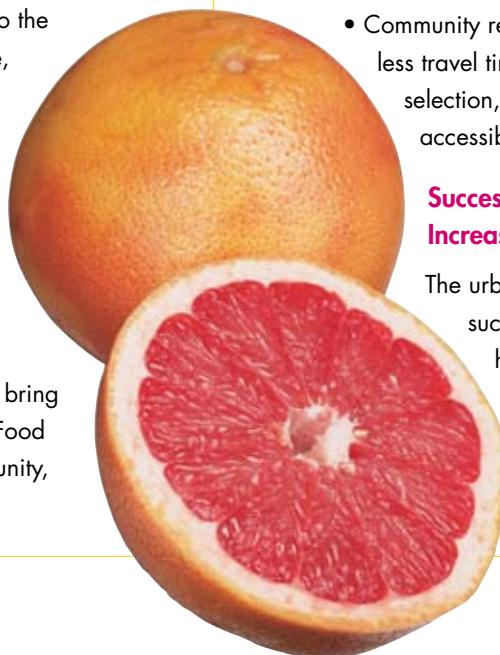
In addition, the Green House Produce market in Oakland has proven to be a successful community venture, filling a gap left when the area's only supermarket closed its doors in 1995. The city partnered with community groups and faith-based organizations to attract restaurants, coffee shops, and other food businesses to serve the neighborhood, and the center has been highly successful.¹⁶ Kmart is another retailer that has witnessed solid returns. Its SuperK store in inner city Oakland generates a 50 percent higher return than comparable stores in the chain.⁵

Overall, as a result of investment in urban supermarkets and other retail ventures:

- Real estate values increase.
- Corporations find new customers.
- Entrepreneurs flourish as they tap underserved markets.
- Crime is reduced.
- Urban developers increase rental income streams.
- Employment increases.
- Schools have more revenue to provide better services to students.
- Community residents enjoy lower prices, less travel time, greater merchandise selection, better service, and more accessible jobs.

Successful Approaches to Increase Produce Sales

The urban marketplace is dotted with success stories of retailers that have filled a community need for access to fresh, healthy foods and were rewarded with success, sales, and



profits. However, increasing access to healthy foods alone does not always lead to increased sales and consumption.

A 2004 study by the Produce Marketing Association revealed that 44 percent of consumers said sampling would make them much more likely to purchase fruits and vegetables. Trained department employees who can interact with shoppers and discuss selection, seasonality, and recipes were identified by 35 percent of respondents as factors that make purchases much more likely. Easy-to-understand signage was identified as an equally effective way to stimulate consumer purchase behavior. This study has shown that sampling and education are two of the biggest purchase drivers of fresh produce.¹⁷

Retailers have many resources available to help them stimulate produce sales. *The California 5 a Day Retail Program* can provide qualified retailers with free educational materials, point-of-sale signage, and recipes. In addition, the *Retail Program* can help foster partnerships between retailers and community stakeholders (e.g., schools, churches, and community-based organizations) who can provide food demonstration programs, store tours for community groups, and other promotions customized to the needs of each retailer.

Operationally, today's challenge for retailers is to develop practices that respond to consumers on a local level—to become more consumer-focused and market driven in an increasingly diverse marketplace. Some of the ways to improve food access and better serve the community include:

- Stock fresh, high quality fruits and vegetables.



- Inspect the produce bins often and remove bruised or blemished items, rotating older produce to the front of the bins.
- Offer competitive, affordable pricing.
- Maintain clean facilities.
- Provide a wide selection of culturally appropriate products.
- Offer healthy foods instead of junk food and alcoholic beverages at the entrance of the store; retail display practices actually influence consumption patterns.
- Provide quality customer service.
- Offer recipes, preparation suggestions, and nutritional information.
- Host nutrition education and physical activity promotion activities at the store.
- Employ management techniques that promote staff and community loyalty, thereby reducing theft and property loss.
- Work with community organizations to provide space for community events or donate produce and non-perishable items for special community events. For more information on events, visit www.ca5aday.com.

For more ideas and resources, or to see samples of the materials that are free to qualified retailers, visit www.ca5aday.com and click on the *5 a Day Retail Program* section of the Web site.



REFERENCES

- 1 Shaffer, A. (2002). *The Persistence of L.A.'s Grocery Gap: The need for a new food policy and approach to market development*. Los Angeles, California: Occidental College, Center for Food and Justice, Urban and Environmental Policy Institute.
- 2 Sloane, D., Diamant, A., Lewis, L., Yancey, A., Flynn, G., Nascimento, L., et al. (2003). *Improving the nutritional resource environment for healthy living through community-based participatory research*. *Journal of General Internal Medicine*, 18, 568-575.
- 3 Morland, K., Wing, S., Diez Roux, A., & Poole, C. (2002). *Neighborhood characteristics associated with the location of food stores and food service places*. *American Journal of Preventive Medicine*, 22, 23-9.
- 4 PolicyLink. *Equitable Development Toolkit: Healthy Retailing*. Retrieved November 28, 2006, from www.policylink.org/EDTK/HealthyFoodRetailing/
- 5 Cuomo, A. (July 1999). *New markets: the untapped retail buying power in America's inner cities*. U.S. Department of Housing and Urban Development.
- 6 The Boston Consulting Group in partnership with The Initiative for a Competitive Inner City. (June 1998) *The business case for pursuing retail opportunities in the inner city*. Retrieved February 13, 2006, from http://imaps.indygov.org/ed_portal/studies/bcg_inner_city_retail.pdf
- 7 Brown, M. (1999). *Supermarket blackout (Lack of quality grocery stores in black communities)*. Retrieved December 8, 2003, from www.findarticles.com.
- 8 Food Research and Action Center. (2005). *State of the States: 2005 A profile of food and nutrition programs across the nation*.
- 9 Castner, L., and Schirm, A. (2005). *Reaching those in need: State food stamp participation rates in 2003*. Mathematica Policy Research, Inc. U.S. Department of Agriculture. Food and Nutrition Service. Retrieved February 15, 2006 from www.fns.usda.gov/oane/MENU/Published/FSP/FILES/Participation/Reaching2003.pdf
- 10 California Nutrition Network for Healthy, Active Families. Issue Brief: *California's food stamp program participation rate: Trends, implications and suggested actions*. (February 2006). Retrieved February 15, 2006 from www.dhs.ca.gov/ps/cdic/cpns/downloads/CA-Food-Stamp-Program-Participation-IssueBrief-Feb9.pdf
- 11 Hanson, K. and Golan, E. (2002). *Issues in food assistance effects of changes in food stamp expenditures across the U.S. Economy*. USDA, Economic Research Service.
- 12 PolicyLink and The California Endowment. (Fall 2005). *Healthy food, healthy communities: improving access and opportunities through food retailing*. California: Rebecca Flournoy and Sarah Treuhaft. Retrieved on March 1, 2006 from www.policylink.org/pdfs/HealthyFoodHealthyCommunities.pdf
- 13 Business for Social Responsibility. (2003). Issue Brief: *Retail site selection*. Retrieved December 8, 2003, from www.bsr.org/CSRResources/IssueBriefDetail.cfm?DocumentID=50964
- 14 Sacramento Housing and Redevelopment Agency. *Oak Park redevelopment area*. Retrieved February 14, 2006 from www.shra.org/Content/CommunityDevelopment/ImplementationPlan/Downloads/OakPark.pdf
- 15 U.S. Census Bureau. Census 2000 Summary File 3, DP-3 Profile of Selected Economic Characteristics: 2000. Geographic Area: Census Tract 18, Sacramento County, California.
- 16 California Food Policy Advocates. (January 2003). *Neighborhood groceries: New access to healthy food in low-income communities*. Retrieved February, 14, 2006, from www.cfpa.net/Grocery.PDF
- 17 Opinion Dynamics Corporation. (May 2004). 900 Telephone Interviews Among Consumers Nationwide. Presented at the Produce Marketing Association's Retail Produce Solutions Conference. Retrieved February 14, 2006, from www.pma.com/Content/ContentGroups/Products/Advantage/OmnibusSurvey.pdf

RESOURCES

California Food Policy Advocates:
www.cfpa.net

Center for Food and Justice:
www.departments.oxy.edu/uepi/cfj

*Coalition for a Livable Future
(Food Policy Working Group):*
www.clfuture.org/food.html

Community Food Security Coalition:
www.foodsecurity.org

Community Health Council of Los Angeles:
www.chc-inc.org

Initiative for a Competitive Inner City:
www.icic.org

Produce Marketing Association:
www.pma.com

U.S. Department of Agriculture:
www.usda.gov

U.S. Department of Housing & Urban Development:
www.hud.gov

For more information, contact Melanie Hall, Marketing Manager, *California 5 a Day Retail Program*, mhall@dhs.ca.gov

Principal funding is provided through the *California Nutrition Network* of the California Department of Health Services by the USDA Food Stamp Program. USDA is an equal opportunity provider and employer that helps limited income California families buy nutritious foods like fruits and vegetables for better health. For information about the California Food Stamp Program, please call 1-888-328-3483.

